

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**  
**BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES**

Applicants : Kevin FOLEY & Kim BANG

Application Serial No. : 09/412,408

Filing Date : October 5, 1999

Title : ELECTRONIC TRADING SYSTEM SUPPORTING  
ANONYMOUS NEGOTIATION AND INDICATORS OF  
INTEREST

Examiner : CALVIN LOYD HEWITT II

Group Art Unit : 3621

Mail Stop Appeal Brief – Patents  
Commissioner for Patents  
PO Box 1450  
Alexandria VA 22313-1450

**APPLICANTS' REPLY BRIEF**

SIR:

This is a reply to the Examiner's Answer dated March 3, 2006.

The Examiner's Answer further developed the following issues which Applicants address in this Reply Brief<sup>1</sup>:

1. with respect to the Section 112 rejection of independent claim 1, the meanings in claim 1 of:

- “if there is no better trade in at least one stock order originating from outside the system for the particular stock for neither the first party nor the counterparty , the system electronically executing the trade agreed to by the first party and the counterparty”; and

---

<sup>1</sup> Unless otherwise indicated, Applicants maintain their positions expressed in the appeal Brief on points addressed in the Examiner's Answer that are not addressed herein.

- “if there is a better trade in at least one stock order originating from outside the system for the particular stock for either the first party or the counterparty, the system executing the better trade”;

2. with respect to independent claims 1 and 7, what Silverman et al. and Tilfors et al. teach;

3. the single reference rejection of independent claims 16 and 26; and

4. with respect to independent claims 16 and 26, what Silverman et al. teaches.

1. **Claim 1 meanings**

Applicants’ contentions regarding the meaning in claim 1 of the language quoted above for point 1 are as follows.

The application discloses the following functionality. After a buyer and a seller within the system agree on a trade, the system determines whether a better trade is available outside the system for the buyer, and whether a better trade is available outside the system for the seller. If there is not a better trade outside the system for the buyer, and if also there is not a better trade outside the system for the seller, then the system will execute the trade agreed to by the buyer and the seller.

The functionality summarized above is reflected in claim 1 under appeal by the following: “if there is no better trade in at least one stock order originating from outside the system for the particular stock for *neither* the first party *nor* the counterparty, the system electronically executing the trade agreed to by the first party and the counterparty.”(Emphasis supplied to highlight “neither...nor” logic.)<sup>2</sup>

---

<sup>2</sup> In the Examiner’s Answer, on page 5, lines 1-3, the Examiner states: “Claim 1 has been amended to include the limitation of determining whether a better trade exists outside the system for both a party and a counterparty.” And at and page 7, lines 4-6, the Examiner states: “Claim 1 has been amended to read, ‘if there is no better trade in at least one stock originating from outside the system for the particular stock for both the first party **and** the counterparty.’” (Emphasis in original.) Since such language is not present in claim 1, the Examiner’s comments relating thereto are not addressed further in this Reply Brief.

The “neither...nor” logic in claim 1 implements the functionality summarized above, and the issue is whether such functionality and claim 1 are supported by the disclosure in the application. Applicants submit that at least the following passages from the specification support such functionality.

Thus, a trade is not executed between users of the system if there is a better trade with a third party. Whether a better trade is available, i.e., whether there is a match of any one of the hidden orders with any one of the public orders, may be repeatedly determined. Depending upon whether a better trade is available, a pair of orders selected from the hidden orders and the public orders is executed. Page 3, line 24 to page 4, line 3.

Using the window 130 in FIG. 13, the first participant can accept or decline the offer of 3000 shares at 77, and the negotiation in that instance is then complete. If the negotiation is accepted on both sides, then the order is executed automatically unless there is a match with the book of public orders. Page 13, lines 15-17.

While the anonymous negotiations occurs, the system 10 continues to consult the book of public trades in step 86 for a match of a public trade with either side of the anonymously negotiated trade. Page 16, lines 8-10.

On the other hand, if there is a better trade outside the system, be it for the buyer or the seller, the system will not execute the trade agreed to by the buyer and the seller but instead will execute the better trade. This functionality is implemented in claim 1 by the following “if there is a better trade in at least one stock order originating from outside the system for the particular stock for either the first party or the counterparty, the system executing the better trade.” This functionality is described in the specification in at least the following passages.

While the anonymous negotiations occurs, the system 10 continues to consult the book of public trades in step 86 for a match of a public trade with either side of the anonymously negotiated trade. In step 88, the system 10 determines if there is a match of one party in the anonymous trade with the book 36. If not, for example, if the company stock or the type of company stock of the negotiated trade differ from every entry in the book 36, then no

match with the book 36 exists and so the negotiated trade is executed in step 90. Page 16, lines 8-13.

However, if there is a matching trade in step 88, the system 10 determines if the prices of the book trade and the negotiated trade are identical in step 92. If not, the trade having the better price is executed in step 94. Page 16, lines 14-16.

The Examiner's contentions with respect to the concerned language in claim 1 may be summarized by the following.

A basis expressed by the Examiner on page 16 of the Examiner's Answer in support of his contention with respect to Section 112, Paragraph 1 seems to be that the concerned language is a "double negative," and when stated as a positive, is not supported by the specification. The Examiner's restatement in the positive reads "if there is a better trade for neither the first nor the counterparty." The Examiner contends that the meaning in either case is that "the system would execute a trade between party and counterparty even when there is a better trade for both outside the system." Such functionality is not described in claim 1 or the application.

Respectfully, "if there is no better trade for neither the first nor the counterparty" and "if there is a better trade for neither the first nor the counterparty" are not equivalent statements. Consider whether "if there is no better trade for neither the first nor the counterparty" and "if there is a better trade for either the first or the counterparty" are equivalents. Regardless, the concerned language in claim 1 does not mean that the system would execute a trade between the first party and the counterparty even when there is a better trade for both the first party and the counterparty outside the system, as contended by the Examiner.

With respect to the Section 112, Paragraph 2 rejection, the Examiner contends on page 17 of the Examiner's Answer that the neither...nor logic in claim 1 is not the same as "executing the

negotiated trade...only if there is not a better trade for either side of the negotiated trade.”

Applicants disagree for the reasons discussed above and in Applicants’ Appeal Brief.

Applicants respectfully disagree with the Examiner’s contentions and Section 112 rejections, and request that the Section 112 rejections be reversed.

**2. Independent claims 1 and 7, and Silverman et al. and Tilfors et al.**

On page 5 of the Examiner’s Answer, the Examiner states that “Silverman et al. teach a system where a party enters an order (bid or offer) and the system then matches the order with a counterparty order.” The Examiner’s statement has to be qualified by the following passage quoted from Silverman et al. in order that it be taken in context since so-called “matches” of so-called “orders” cannot be executed in Silverman et al. until after the counterparties negotiate at least one term of the potential transaction:

Thus, the negotiated matching system according to the present invention creates tentative matches between potential counterparties, wherein neither party is initially committed to the transaction and the identities of the parties are unknown. The system does not automatically execute transactions. Instead, the system introduces compatible counterparties who are provided with an opportunity to communicate with one another prior to execution of the transaction to negotiate some or all terms of the transaction. (Col. 12, lines 59-67.)

With respect to Tilfors et al., the Examiner states on Page 5 of the Examiner’s Answer:

Tilfors et al. teach order books and order books comprise buy and sell orders, hence the system seeks a best price for a party whether the party is a buyer or seller (‘940 abstract; column 1, lines 15-40).

Taken at face value, the quoted passage from Tilfors et al. does not state or infer that the Tilfors et al. system checks for a better price for both a buyer and a seller on the same potential transaction. Instead, a fair reading of the passage means that the Tilfors et al. system checks for a better price for a buyer, e.g., an investor, entering a buy order, and in another potential

transaction checks, for a better price for a seller, e.g., an investor, entering a sell order.

Also, just because Tilfors et al. discloses order books, and order books include buy and sell orders, it does not follow that the system described in Tilfors et al. must check to see if there is a better buy trade and a better sell trade available whenever the Tilfors et al. system checks other exchanges for a better price with respect to a particular potential trade. Based solely on the existence of order books with buy and sell orders, it is also possible that the Tilfors et al. system checks best price on only one side of the order, e.g., for an investor entering an order to be matched with market maker quotes. The Examiner has not referred to any disclosure in Tilfors et al. that supports his position other than that order books include buy and sell orders. The passage that the Examiner referred to in Tilfors et al. at col. 1, lines 15-20, which does not support the Examiner's position, is in the background section and reads:

In existing automated exchange systems for continuous trading (dealer market), a simple first in first served model in the matching is commonly used. Thus, if there is a selling price, which is matched by a buying price, the two orders are matched.

The Examiner also cited the Tilfors et al. abstract in support of his position. Similarly, the abstract does not state or infer that, for an entered order, outside exchanges are checked for better prices for both sides of any potential trade. The abstract closes with the following sentence:

[T]he method and device provides means so that investors will not have to worry about getting a better price elsewhere, when entering bids into an automated exchange.

If anything, that teaches that the Tilfors et al. system checks only to see if there are better prices available on the investor side of a potential trade.

However, there are other passages in Tilfors et al. that support Applicants' position. For

example, the background section in col. 1 of Tilfors et al. discusses better prices only for investors, and not for both an investor and a market maker on the same potential trade. The example in Tilfors et al. described starting at col. 2, line 40 only checks for better a better price for an investor. In fact, Tilfors et al. describes a procedure for a market maker (the other side of a potential trade) to adjust its price to compete with a better price for an investor (one side of a potential trade) on an outside exchange. Tilfors et al. does not describe any procedure for the system to check to see if the market maker can get a better price for a matched quote entered in the automated exchange. To do so would make little sense given that a market maker enters quotes and investors enter bids and offers which are attempted to be matched against the quotes. Certainly, Tilfors et al. does not disclose that the system described therein checks for a better price for the investor and for a better price for a market maker for the same potential trade.

Applicants maintain their position that the rejection of claims 1 and 7 based on Silverman et al. and Tilfors et al. should be reversed.

**3. *The single reference Silverman et al. rejection of independent claims 16 and 26***

Applicants' attorney assumed that claims 16 and 26 were rejected under §102 because the Examiner did not cite a secondary reference and specifically stated that Silverman et al. disclosed that an indication of interest ("IOI") is "both an indication of interest and an order." (Final Office Action, page 3.) Perhaps realizing this, the Examiner telephoned the undersigned who confirmed that he treated the rejection as one under §102 but recognized that the Examiner had made the rejection under §103.<sup>3</sup> However, whether the rejection is under §102 or §103, it

---

<sup>3</sup> Applicants' attorney informed the Examiner that the rejection of claims 16 and 26 appeared to be under §102 in both the Response to June 23, 2004 Final Office Action (page 15, footnote 4) and in the Response to February 24, 2004 Office Action (page 13, footnote 1), and the Examiner never objected to such treatment of the rejection of claims 16 and 26 until the telephone call to Applicants' attorney.

fails for the reasons discussed in the next section.

4. *Independent claims 16 and 26 and Silverman et al.*

Regardless of whether claims 16 and 26 were rejected under §102 or §103, Silverman et al. does not disclose that an order, whether called an IOI, a bid, an offer or an order, can be automatically executed. Potential counterparties to a potential match made automatically by the matching computer in Silverman et al. must negotiate at least one term of the potential transaction before a trade can be executed. As such, the Silverman et al. matching computer does not automatically execute trades of matched orders, as called for in both claims 16 and 26.

If the rejection is in fact under §103, then the Examiner has failed to make a *prima facie* case because in Silverman et al., there is only an IOI and not an order related to the IOI that can be automatically matched and automatically executed. Similarly, the Examiner failed to make a *prima facie* case in the February 24, 2004 and the June 23, 2004 Office Actions as well.

In the Examiner's Answer, the Examiner contends that Silverman et al. discloses "entering an IOI with offers and bids (column 7, lines 25-30)." However, the passage at col. 7, lines 25-35 of Silverman et al., quoted below, simply does not support this contention.

204--the users enters bids and offers including firm (non-negotiable) and soft (negotiable) parameters pertaining to the bids and offers (e.g., price, quantity, expiration terms, acceptable credit ranking) into the system using their remote terminals. Traders may enter bids and offers into the system at any time.

The quoted passage does not disclose that entering an order (i.e., one that can be automatically matched and automatically executed) also enters an IOI or *vice versa*. Any fair reading of this passage reveals that users simply enter bids and offers including both non-negotiable and negotiable parameters. Since such bids and offers include negotiable parameters,



they simply cannot be automatically executed as called for in claims 16 and 26.

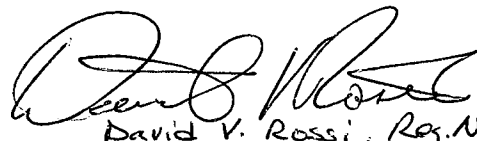
Thus, the Examiner has not provided any evidence whatsoever of a prior art trading system that includes “at least one computer...programmed to automatically match orders entered into the user stations by users and to automatically execute trades of matched orders,” and “the at least one computer being programmed to transmit, to the users in the subset of users selected by the user that entered the related order the IOI with respect to which the related order has been entered,” as claimed in claim 16, and as similarly claimed in claim 26.

Therefore, the Examiner has not made a *prima facie* case for the rejection of claims 16 and 26 under §103 based on Silverman et al alone, and the rejections of claims 16 and 26 should be reversed.

**Conclusion**

In view of the foregoing, the Board should, and is requested to, reverse the rejections of claims 1-29.

Respectfully submitted,

  
David V. Rossi, Reg. No. 36,659

Date: May 3, 2006

For: Frank J. DeRosa  
Reg. No. 26,543  
Attorney for Applicants

***Customer No. 29858***

Brown Raysman Millstein Felder & Steiner LLP  
900 Third Avenue  
New York, NY 10022  
Tel. (212) 895-2000  
Fax (212) 895-2900